

Increases in Air Rates to Baffin Island Communities

The airline which serves small Baffin Island communities, Survail, incurred losses of \$845,000 in 1976 and \$600,000 in the first quarter of 1977. The company also serves the Ungava region where rates have also been increased but attributes about 70 percent of its losses to its Baffin routes.

Prior to a year ago Baffin Island communities were served by a division of Nordair as an extension of Montreal - Probusher - Resolute service. Rates were Increases in Air Rates to Baffin Island Communities inequities in the rate structure and, in an attempt to resolve its financial problem as well as to rectify the inequities, implemented a new tariff schedule based on a common boarding or loading charge plus a charge per statute mile. According to the company, the result is an average increase in passenger fares of about 8 percent (although it is several fold higher on some routes), and an average increase in air freight rates of about 40 percent with a maximum increase of about 60 percent.

In the case of Clyde River referred to by Mr. Firth, the Probusher to Clyde River rate increased from 65c to \$1.04 or 60 percent, and the Montreal - Clyde River interline rate with Nordair increased from \$1.09/lb. to \$1.47/lb. (33 percent) or from \$1.85 to \$2.50 on the dozen eggs which Mr. Firth used as an example.

In accordance with Canadian Transport Commission Regulations, Survail filed its new rates on April 27. No complaints were received and the Air Transport Committee had no reason to disallow the increases which went into effect a month later. However, perhaps because the company did not publicize its tariff proposal sufficiently, Survail's customers appear to have been taken by surprise and only recently have complaints been received by the Air Transport Committee. The matter is now under review by ATC staff and the Committee could roll-back the increases if it considers such action to be warranted. Because of its small size, Survail is not subject to ATR guidelines.

Mr. Firth's question also asks about the possibility of subsidies. This is always a complex question and especially so in Arctic Canada which comprises 40% of Canada's land mass, where a range of conditions prevail, and where a broad range of factors, extending far beyond transportation, prevail.

These factors include:

- a desire on the part of some to see an increased emphasis on the use of "country food" obtained through hunting and fishing;
- a desire on the part of some to increase business opportunities in the North, through establishment of such things as bakeries and milk reconstituting plants, rather than flying such items in from southern Canada;

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Prior to a year ago Baffin Island communities were served by a division of Nordair as an extension of Montreal - Frobisher - Resolute service. Rates were charged accordingly. Survail noted a number of inequities in the rate structure and, in an attempt to resolve its financial problem as well as to rectify the inequities, implemented a new tariff schedule based on a common boarding or loading charge plus a charge per statute mile. According to the company, the result is an average increase in passenger fares of about 8 percent (although it is several fold higher on some routes), and an average increase in air freight rates of about 40 percent with a maximum increase of about 60 percent.

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- consideration of nutritional needs as opposed to perceived wants. Would powdered eggs, rather than fresh, satisfy nutritional requirements?
- means of determining who should be subsidized and how. There are a large number of highly paid transient and resident workers in the North who do not require subsidization.

In spite of the foregoing, we are studying a number of initiatives with respect to northern transportation costs. Some of these initiatives involve the Department of Indian Affairs and Northern Development and the Governments of the Yukon and Northwest Territories.

We have begun a series of studies (two completed, Yukon and Mackenzie Valley) to define the transportation cost component with respect to goods moving into Arctic Canada. The results of the work to date indicate that the high cost of consumer goods in some northern communities is not due to transport costs but to other factors such as warehousing, inventory and retailing which link producer to consumer. Transport Canada officials have had discussions with their counterparts in Indian Affairs and the Government of the Northwest Territories on these aspects and recently, in response to a request from the Territorial Council, agreed to have officials consult with them on a northern transportation policy. As part of this, means will be sought to lower even further the small percentage of costs that are recovered on government transport services in the North.

Transport Canada also has under study an air services policy for remote areas such as Clyde River. Because the study involves remote areas in the provinces, as well as Arctic Canada, and must consider Federal-Provincial jurisdiction in the south, progress has been slower than anticipated.

June 7, 1977.

Mr. WALLY FRENZ (Northeast Territories): Mr. Speaker, my

office is for the Minister of Transport. Is the minister aware that

the only air carrier, from Frobisher Bay to six communities on Baffin

Island, has raised the freight rates by about 50 per cent, so that ^a dozen eggs

now costs about \$4.30 in Clyde River, 2 of which \$3 would represent

transport cost. Is the minister's department considering action on

this rate increase?

Hon. OTTO E. LANG (Minister of Transport): Mr. Speaker,

the question had not been brought to my attention.

Mr. FRENZ: A supplementary question Mr. Speaker. Would the

minister consider introducing a general policy of freight subsidies

on essential goods such as milk, bread and produce, which must now be

flown to certain parts of the Arctic?

Mr. LANG: Mr. Speaker, I am always happy to consider such

representations as we look at ways to assist remote and developing ^{mental} areas.

areas.

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